

Coal India Ltd.

₹ 302

Black Whole**Accumulate**

May 10, 2013

Company Background

Coal India Limited (CIL) is the world's largest coal reserve holder and producer and also controls ~80% of the Indian coal market. It is going to be the primary beneficiary of the structural deficit of coal in India. Moreover, it is one of the least cost producers of coal in the world. CIL, a Maharatna company, is one of the largest public sector companies in India in terms of turnover. Its product portfolio consists largely of thermal coal (90%) with the balance being coking coal. The company enjoys a near-monopoly position in the lucrative coal market and is more of a utility player due to assured volume off-take, pseudo regulated environment and minimal chance of a product price cut, as prices already remain at ~50% discount to international benchmark prices

Key Highlights

- ➔ CIL, setting a new high in coal off-take growth, supplied 465.19 MTs of coal to its consumers during 2012-13, the increase in absolute terms being the highest ever at 32.11 MTs, registering a growth of 7.4%. After a lull of two years, CIL infused a new vibrancy in the fiscal 2012-13 with a highest ever increase of over 32 MTs in coal off-take. Never before since its inception, has the company witnessed such a steep volume increase.
- ➔ Coal supplies from CIL to power utilities of the country during 2012-13 grew by 10.2%, surging ahead to 343.79 MTs, up by 31.72 MTs from that of 312.07 MTs achieved in 2011-12. Supplies to Power Plants of NTPC were at 132.84 MTs, by fiscal end of 2012-13 compared to 115.84 MTs in 2011-12, registered a growth of 14.7%. In fact, against Annual Contracted Quantity of 125.98 MTs during 2012-13 NTPC received 132.84 MTs of coal from CIL which is a target satisfaction of 105.4%. In absolute terms increase is 6.86 MTs over target.
- ➔ CIL's coal production also witnessed an increase of 16.35 MTs during 2012-13 compared to last fiscal. It bounced back confidently producing 452.19 MT, ending fiscal 2012-13 against 435.84 MTs last fiscal registering 3.8% growth.
- ➔ The coal major which began the fiscal with a pithead stock of 70.88 MTs was able to liquidate 12.97 MTs stock. The ground stock as of 1 April 2013 stood at 57.91 MTs.

Key Financials

Year Ended 31 st	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	48,440.1	57,234.2	96,243.2
Rev. growth (%)	4.93	18.15	68.16
EBITDA (INR mn)	39,728.3	47,872.0	85,218.1
Net profit (INR mn)	38,603.0	46,961.0	80,651.0
Shares outstanding (mn)	6,316.4	6,316.4	6,316.4
EPS (INR)	6.1	7.4	12.8
EPS growth (%)	(98.86)	21.65	71.74
P/E (x)	56.0	46.7	26.9
RONW (%)	23.1	25.9	43.1
ROA (%)	16.0	17.4	27.6

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Info Codes

Reuters	: COAL.BO
Bloomberg	: COAL@IN
NSE	: COALINDIA
BSE	: 533278

Market Data

52 Wk Range (₹)	: 386 / 291
Shares in Issue (mn)	: 6316.4
Mkt. Cap (₹ bn)	: 1893.33
BSE 2 Wk Avg Vol	: 170000

Share Holding Pattern (%)

Promoters	: 90.00
DII's	: 02.00
FII's	: 05.44
Others	: 02.56

Investment Theme

Coal India Limited (CIL) indicated that MOEF approvals for 45mtpa expansion are completed as part of proposal to hike capacity by 25%. With this, CIL can potentially produce 500MT in FY14. This approach provides improved visibility of meeting FY17 production target of 615mt (volume CAGR: 7.5%). CIL currently operates ~471 mines in India and is also scouting for international mines to increase global presence and assure its resources. It sells ~10% of its production based on the e-Auction route and ~3.5% beneficiated coal. Beneficiated coal volumes are expected to rise significantly to ~150 mtpa by FY17. Coal India is equipped to supply the fuel requirement of power producers as outlined by the PMO. Indian still being a majorly Coal based Electricity producing country the features of the Company appear good enough to grow.

Disinvestment happening soon !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	0.0	0.0	-	0.0	-
Other Income	40974.9	49667.8	21.22	85350.9	71.84
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	2438.9	2518.3	3.26	3103.5	23.24
Indirect Taxes	178.7	327.3	83.16	403.0	23.13
Other Exp.	(2617.6)	(2845.6)	8.71	(3506.5)	23.23
Operating Exp.	0.0	0.0	-	0.0	-
Operating Profit	0.0	0.0	-	0.0	-
Total Interest	0.0	0.0	-	0.0	-
Gross Profit	40974.9	49667.8	21.22	85350.9	71.84
Net Dep.	371.9	806.8	116.94	198.7	(75.37)
Total Taxation	2000.0	1900.0	(5.00)	4501.2	136.91
Net Profit/Loss	38603.0	46961.0	21.65	80651.0	71.74

4 Years Balance Sheet

(₹ mn)

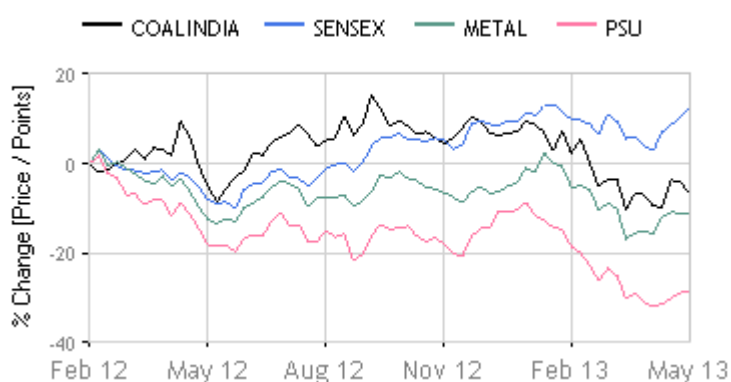
Balance Sheet as on 31 st	Mar 09	Mar 10	Mar 11	Mar 12
SOURCES OF FUNDS	3170,238.4	185,250.3	191,864.4	209,274.7
Equity Share capital	63,163.6	63,163.6	63,163.6	63,163.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	89,208.6	107,443.7	114,996.5	132,483.9
Long Term Loans	17,866.2	14,643.0	13,704.3	13,627.2
Short Term Loans	0.0	0.0	0.0	0.0
USES OF FUNDS	3170,238.4	185,250.3	191,864.4	209,274.7
Gross Block	3,439.5	3,515.6	4,125.3	4,219.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	2,489.9	2,581.5	3,138.2	3,210.2
Net Block	949.6	934.1	987.1	1,009.0
Capital Work in Progress	59.8	178.4	557.2	734.1
Investments	63,163.6	63,165.7	63,191.7	65,411.9
Current Assets	159,807.8	177,405.4	212,131.5	240,074.7
Less : Current Liabilities	53,742.4	56,433.3	85,003.1	97,955.0
Total Net Current Assets	106,065.4	120,972.1	127,128.4	142,119.7
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	63,163.6	63,165.7	63,191.7	63,191.9
Mkt Val. Quoted Investments	0.0	0.0	0.0	2,222.5
Contingent Liabilities	19,775.0	16,290.3	17,902.8	23,064.4
Dividend (%)	27	35	39	100

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 12	Jun 12	Sep 12	Dec 12
Net Sales	1,546.20	909.50	492.40	901.30
Cost Of Sales	1,898.80	1,167.20	1,825.20	2,638.90
Operating Profit	(352.60)	(257.70)	(1,332.80)	(1,737.60)
Recurring Income	15,388.10	48,193.70	15,210.80	20,679.10
Adjusted PBDIT	15,035.50	47,936.00	13,878.00	18,941.50
Financial Expenses	949.30	941.30	958.60	915.60
Depreciation	22.10	15.40	15.50	15.80
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	14,064.10	46,979.30	12,903.90	18,010.10
Tax Charges	2,568.50	900.00	950.00	961.90
Adjusted PAT	11,495.60	46,079.30	11,953.90	17,048.20
Non Recurring Items	739.60	(49.90)	48.30	(27.30)
Other Non Cash Adjust	0.00	263.70	0.00	51.70
Net Profit	12,235.20	45,765.70	12,002.20	16,969.20

52 Week Index Relative Percentage Appreciation



CIL vs SENSEX vs Metal vs PSU

Points to Ponder

- ➔ Bharat Coking Coal Ltd (BCCL - 100% subsidiary of CIL) has issued 2,53,90,000 nos. of 5% Non-Convertible, Redeemable, Cumulative Preference Shares @ Rr. 1000/- each aggregating to Rs.2539 Crores in favour of CIL on 26th Mar'13. These Preference shares are to be redeemed at the expiry of 7 years from the date of issue and allotment. However, CIL would have the option to redeem at any time after the expiry of 5 years from the date of issue and allotment of the share.
- ➔ CIL the coal mining Maharatna PSU signed a Memorandum of Understanding (MoU) with its Administrative Ministry – Ministry of Coal - for its key performance areas for the fiscal 2013-14. As per the MoU for the fiscal 2013-14, MoC has fixed coal production & off-take targets of 482 Million tonnes (Mt) and 492 Mt respectively against last year's coal production and off-take target of 464.1 Mt & 470 Mt respectively.
- ➔ The Cabinet Committee on Economic Affairs (CCEA) has given inprinciple approval to the price pooling mechanism wherein the prices of domestic and imported coal will be averaged to get a uniform price for coal in the country. CCEA however has not given the actual terms of this mechanism and has asked the coal and power ministries to come out with the detailed terms and specifications of how the price must be determined. Currently, CIL has FSA's with power companies without price pooling basis and it supplies imported coal at a cost plus basis.
- ➔ Constant coordination with Railways resulted in increased availability of rail rakes. During 2012-13 CIL's average loading per day increased by 18.4 Rakes. On an average 186.2 rakes were loaded per day during 2012-13 against 167.7 rakes/ per day during last fiscal. The growth in average loading per day on year-on-year comparison has been 11.0%.

In a Nutshell

Coal India Limited (CIL) as an organized state owned coal mining corporate came into being in November 1975 with the government taking over private coal mines. With a modest production of 79 Million Tonnes (MTs) at the year of its inception CIL today is the single largest coal producer in the world. Operating through 81 mining areas CIL is an apex body with 7 wholly owned coal producing subsidiaries and 1 mine planning and consultancy company spread over 8 provincial states of India. CIL also fully owns a mining company in Mozambique christened as 'Coal India Africana Limitada'. CIL also manages 200 other establishments like workshops, hospitals etc. Further, it also owns 26 technical & management training institutes and 102 Vocational Training Institutes Centres. Indian Institute of Coal Management (IICM) as a state-of-the-art Management Training 'Centre of Excellence' - the largest Corporate Training Institute in India - operates under CIL and conducts multi disciplinary management development programmes. CIL having fulfilled the financial and other prerequisites was granted the Maharatna recognition in April 2011. It is a privileged status conferred by Government of India to select state owned enterprises in order to empower them to expand their operations and emerge as global giants. CIL is a holding company with seven wholly owned coal producing subsidiary companies and one mine planning & consultancy company. It encompasses the whole gamut of identification of coal reserves, detailed exploration followed by design and implementation and optimizing operations for coal extraction in its mines.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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